

# Texas Transportation Commission Quarterly Investment Report



February 29, 2020





An aerial photograph of a city, likely Dallas, showing a complex highway interchange with multiple lanes and overpasses. The city skyline is visible in the background with various skyscrapers. The entire image has a blue color cast. Overlaid on the center of the image is the text "Connecting You with TEXAS".

Connecting  
*You* with **TEXAS**



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# Management's Certification of the Quarterly Investment Report

I certify that I have reviewed the Quarterly Investment Report as of and for the period ending February 29, 2020 that is being submitted to the Texas Transportation Commission. To the best of my knowledge and belief:

1. In all material respects the Investment Report was prepared in accordance with the guidelines presented in Government Code, Chapter 2256 (Public Funds Investment Act) and Section 9.0 of the investment policy. The investments have been accorded consistent treatment in accordance with generally accepted accounting principles.
2. There have been no material misrepresentations in the report by the inclusion or exclusion of information.
3. An effective system of internal controls has been established to ensure that material financial information is recorded in the accounting system and properly reported in the report and there were no material weaknesses in internal control during the period covered by the report or thereafter.
4. An independent accountant's report on agreed-upon procedures to review management's compliance with the Public Funds Investment Act is conducted annually. The report is presented to the commission.

DocuSigned by:

*Brian Ragland*

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Brian D. Ragland, CPA

Chief Financial Officer

Investment Officer

DocuSigned by:

*Benjamin H. Asher*

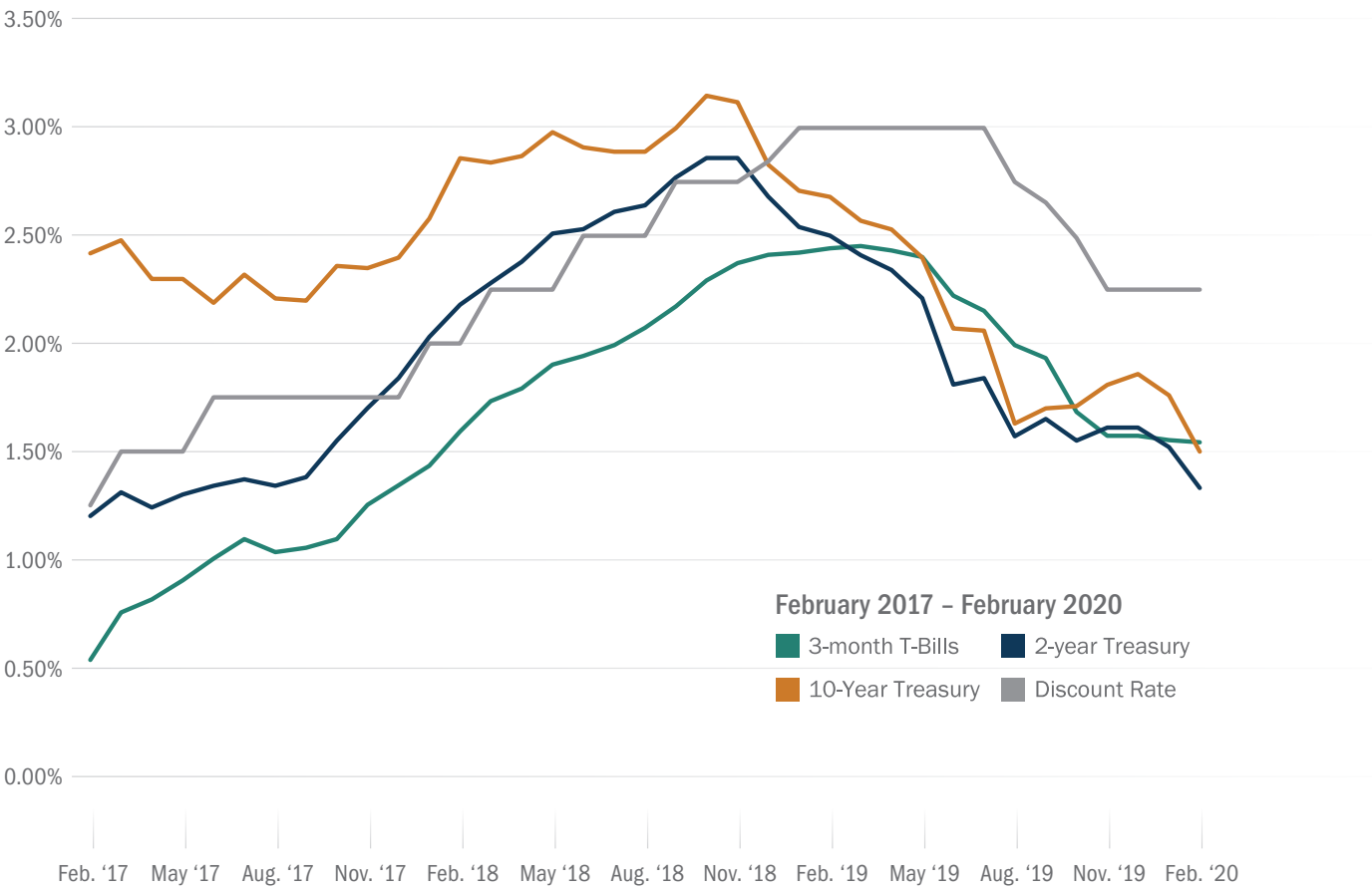
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Benjamin H. Asher

Director, Project Finance, Debt & Strategic Contracts Division

Investment Officer

# U.S. Treasury Historical Yields





# 2002 Project of the Central Texas Turnpike System

## MANAGEMENT DISCUSSION

The Central Texas Turnpike System (the system) investments are held by The Bank of New York Mellon, acting as trustee. The funding of investments includes bond proceeds, capital contributions for the purpose of financing the 2002 Project of the system, revenues derived from operation of the system's toll roads and related investment earnings.

Suitable investments have been determined using the following criteria, priorities pursuant to the commission's investment policy and the investment strategy relating to the system:

- 1) Suitability of the investment to the financial requirements of the entity;
- 2) Preservation and safety of principal;
- 3) Liquidity;
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) Diversification of the investment portfolio; and
- 6) Yield.

The investment instruments described in Schedule 1 are in compliance with the Public Funds Investment Act, investment policy and strategy of the commission.

## INVESTMENT ACTIVITY

Investment Income for the quarter: \$4,835,595, yield 2.47%.

The system collected \$69.5 million in revenue and paid \$53.5 million in debt service during the quarter. The Guaranteed Investment Contract is intended to be held to the maturity date of August 15, 2022.

## CURRENT STRATEGY

The Capital Contributions account will be invested to match planned expenditures. Our strategy, however, remains guided by the following principles: safety of principal, liquidity and yield, in that order.

## CURRENT MARKET CONDITIONS

- 3-Month Treasury: 1.54%
- 2-Year Treasury: 1.33%
- 10-Year Treasury: 1.50%
- Discount Rate: 2.25%

# Schedule 1 – Investments

Income for Quarter: \$4,835,595

Yield for Quarter: 2.47%

Description	Yield	Maturity Date	Book Value	Fair Value <sup>1</sup>
<i>Money Market Investments</i>				
JP Morgan Govt MMKT Fund	1.480%	03/02/20	2,926,247	2,926,247
Morgan Stanley Govt MMKT Fund	1.480%	03/02/20	742,664	742,664

## *U.S Government Securities*

U.S. Treasury Notes	2.400%	03/31/20	24,996,948	25,015,750
Federal Home Loan Discount Notes	1.583%	05/04/20	7,379,290	7,381,352
U.S. Treasury Bills	1.564%	05/07/20	4,387,263	4,389,528
U.S. Treasury Bills	1.564%	05/07/20	1,744,934	1,745,835
U.S. Treasury Notes	2.538%	06/30/20	40,065,600	40,065,600
U.S. Treasury Bills	1.737%	08/13/20	24,388,085	24,462,378
U.S. Treasury Bills	1.526%	08/13/20	29,595,257	29,645,338
U.S. Treasury Bills	1.448%	08/13/20	39,739,011	39,792,400
Federal Home Loan Discount Notes	1.599%	08/14/20	9,927,633	9,939,500
U.S. Treasury Notes	1.721%	08/15/20	399,598	400,344
U.S. Treasury Notes	1.638%	08/15/20	19,987,328	20,017,200
U.S. Treasury Notes	1.543%	08/15/20	14,997,047	15,012,900
U.S. Treasury Notes	1.721%	08/15/20	26,273,598	26,322,618
U.S. Treasury Notes	1.721%	08/15/20	28,271,590	28,324,338
U.S. Treasury Notes	1.605%	02/15/21	6,014,617	6,014,617

## *Lone Star Investment Pool <sup>2</sup>*

Government Overnight Fund	1.570%	03/02/20	23,141,632	23,112,952
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## *TexPool <sup>2</sup>*

Local Government Investment Pool	1.591%	03/02/20	153,835,117	153,591,463
Prime	1.764%	03/02/20	72,164,045	72,061,390

## *Guaranteed Investment Contract <sup>3</sup>*

Citigroup Global Markets Inc. GIC (CUSIP S86538450)	5.200%	08/15/22	114,999,379	114,999,379
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## *Funds Held by Texas Treasury Safekeeping Trust Company*

Operating, Maint. and Reserve Maint.	1.514%	03/02/20	33,702,155	33,702,155
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## *Funds Held by the Comptroller*

Operating, Maint. and Reserve Maint.	2.002%	03/02/20	73,475,404	73,475,404
			<b>\$ 753,154,444</b>	<b>\$ 753,141,354</b>

### Notes:

<sup>1</sup> For the quarter, (\$62,934) was booked for changes in the Fair Value of investments. All investments are intended to be held to maturity.

<sup>2</sup> These local government investment pools seek to maintain a one dollar per share, as required by the Texas Public Funds Investment Act.

<sup>3</sup> This security was purchased under the terms of a forward purchase agreement that was executed in August 2002 at rates that were currently available at that time.

Fair Values are reported on monthly account statements. Totals may not up add up due to rounding.

# Schedule 2 – Allocation by Account

11/30/2019

Description	Revenue Fund	1st Tier Interest Account	1st Tier Principal Account	1st Tier Debt Service Reserve	2nd Tier Interest	2nd Tier Debt Service Reserve	Rate Stabilization Fund	Capital Contribution Account	Accounts Held by Comptroller	Accounts Held by TTSTC	Portfolio Total
JP Morgan Government MM	-	576	240,486	18,060	568,314	-	13	9,127	-	-	\$ 836,576
Morgan Stanley Government MM	-	-	-	-	-	655,341	-	-	-	-	\$ 655,341
U.S. Treasury Notes	19,976,600	-	26,269,229	5,988,556	28,266,889	29,004,127	-	65,095,000	-	-	\$ 174,600,401
U.S. Treasury Bill	-	24,318,403	-	-	-	-	-	-	-	-	\$ 24,318,403
U.S. Government Agency	-	-	-	-	-	-	-	-	-	-	\$ -
U.S. Government Agency Discount Notes	498,265	-	-	-	28,700,064	-	-	-	-	-	\$ 29,198,329
Lone Star Government	-	-	-	-	-	-	12,264,273	10,753,592	-	-	\$ 23,017,865
TexPool Government	78,275,421	25,010,345	-	3,985,949	-	23,552,701	32,250,938	33,308,586	-	-	\$ 196,383,940
TexPool Prime	-	-	-	-	-	-	23,829,307	53,730,764	-	-	\$ 77,560,071
Guaranteed Investment Contract	-	-	-	114,999,379	-	-	-	-	-	-	\$ 114,999,379
Accounts Held by Comptroller	-	-	-	-	-	-	-	-	100,534,615	-	\$ 100,534,615
Accounts Held by TTSTC	-	-	-	-	-	-	-	-	-	33,579,377	\$ 33,579,377
<b>Totals</b>	<b>98,750,286</b>	<b>49,329,324</b>	<b>26,509,715</b>	<b>124,991,945</b>	<b>57,535,267</b>	<b>53,212,169</b>	<b>68,344,530</b>	<b>162,897,069</b>	<b>100,534,615</b>	<b>33,579,377</b>	<b>\$ 775,684,297</b>

2/29/2020

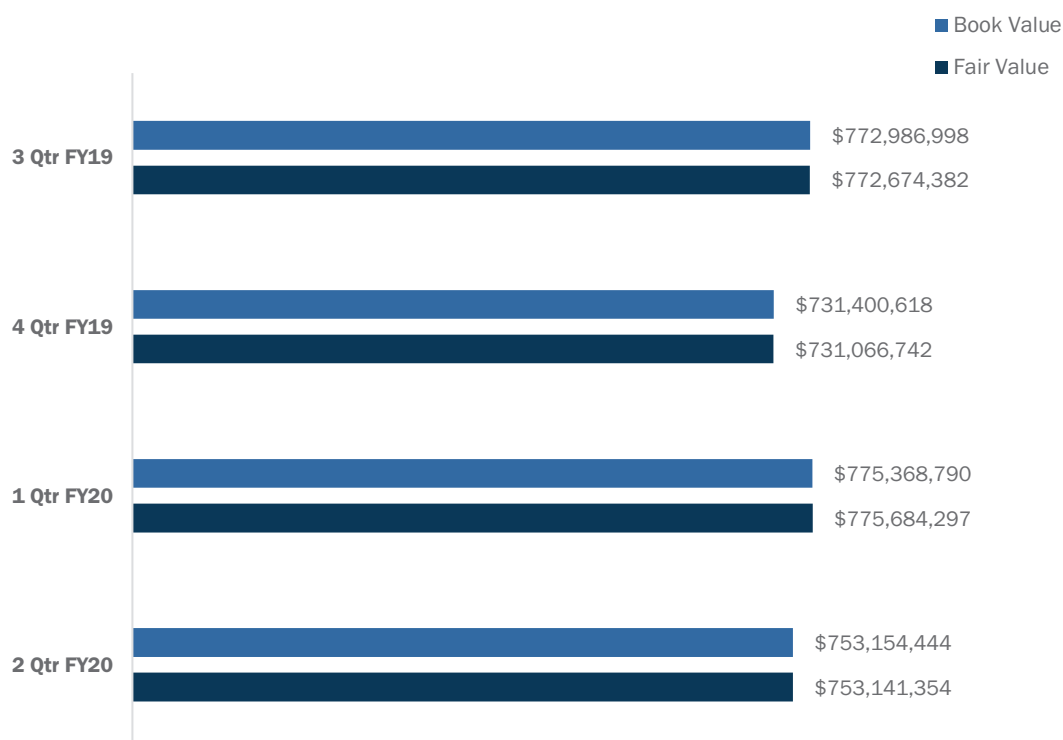
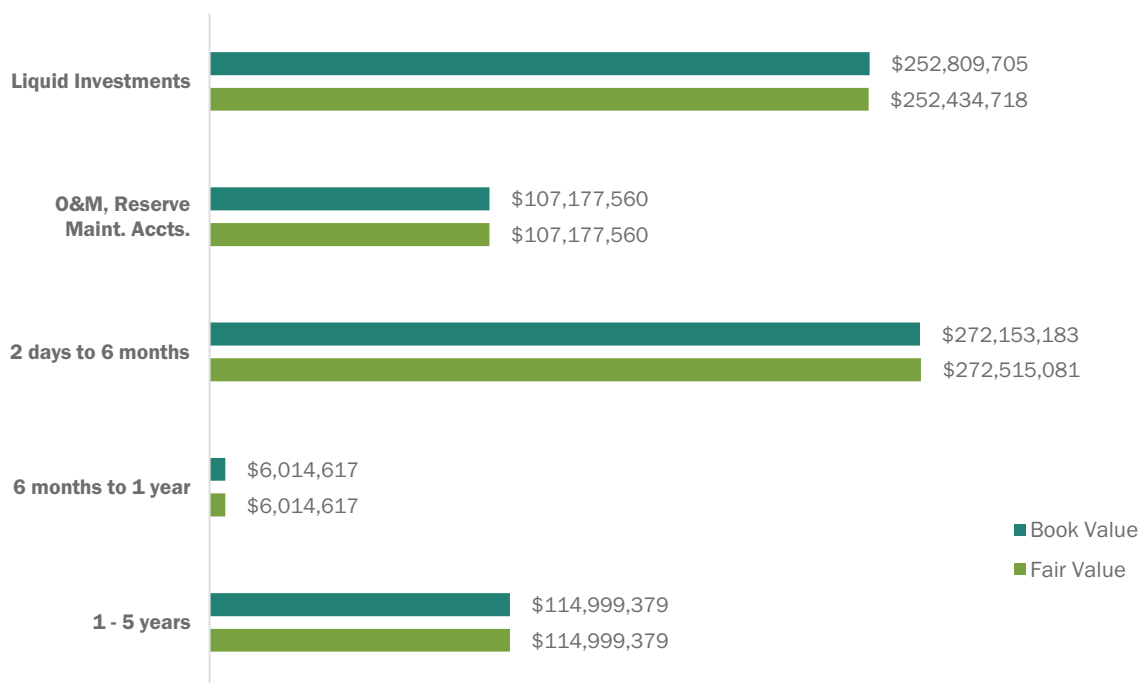
Description	Revenue Fund	1st Tier Interest Account <sup>(A)</sup>	1st Tier Principal Account	1st Tier Debt Service Reserve	2nd Tier Interest <sup>(B)</sup>	2nd Tier Debt Service Reserve	Rate Stabilization Fund	Capital Contribution Account	Accounts Held by Comptroller	Accounts Held by TTSTC <sup>(C)</sup>	Portfolio Total
JP Morgan Government MM	2,443,026	578	438,653	-	-	-	13	43,978	-	-	\$ 2,926,247
Morgan Stanley Govt MM	-	-	-	-	649,755	92,909	-	-	-	-	742,664
U.S. Treasury Notes	35,030,100	-	26,322,618	6,014,617	28,324,338	400,344	-	65,081,350	-	-	161,173,367
U.S. Treasury Bills	41,538,235	24,462,378	-	-	-	29,645,338	-	4,389,528	-	-	100,035,479
U.S. Government Agency	7,381,352	-	-	-	-	-	-	-	-	-	7,381,352
U.S. Government Agency Discount Notes	9,939,500	-	-	-	-	-	-	-	-	-	9,939,500
Lone Star Government	-	-	-	-	-	-	12,314,937	10,798,016	-	-	23,112,952
TexPool Government	71,916,938	520,561	-	7,077,402	-	23,649,619	32,383,648	18,043,296	-	-	153,591,463
TexPool Prime	-	-	-	-	-	-	23,939,551	48,121,839	-	-	72,061,390
Guaranteed Investment Contract	-	-	-	114,999,379	-	-	-	-	-	-	114,999,379
Accounts Held by Comptroller	-	-	-	-	-	-	-	-	73,475,404	-	73,475,404
Accounts Held by TTSTC	-	-	-	-	-	-	-	-	-	33,702,155	33,702,155
<b>Totals</b>	<b>168,249,151</b>	<b>24,983,516</b>	<b>26,761,271</b>	<b>128,091,398</b>	<b>28,974,093</b>	<b>53,788,209</b>	<b>68,638,149</b>	<b>146,478,007</b>	<b>73,475,404</b>	<b>33,702,155</b>	<b>\$ 753,141,354</b>

Note <sup>(A)</sup> - In February, \$24.6 million in debt service was paid.Note <sup>(B)</sup> - In February, \$28.9 million in debt service was paid.Note <sup>(C)</sup> - TTSTC - Texas Treasury Trust Company

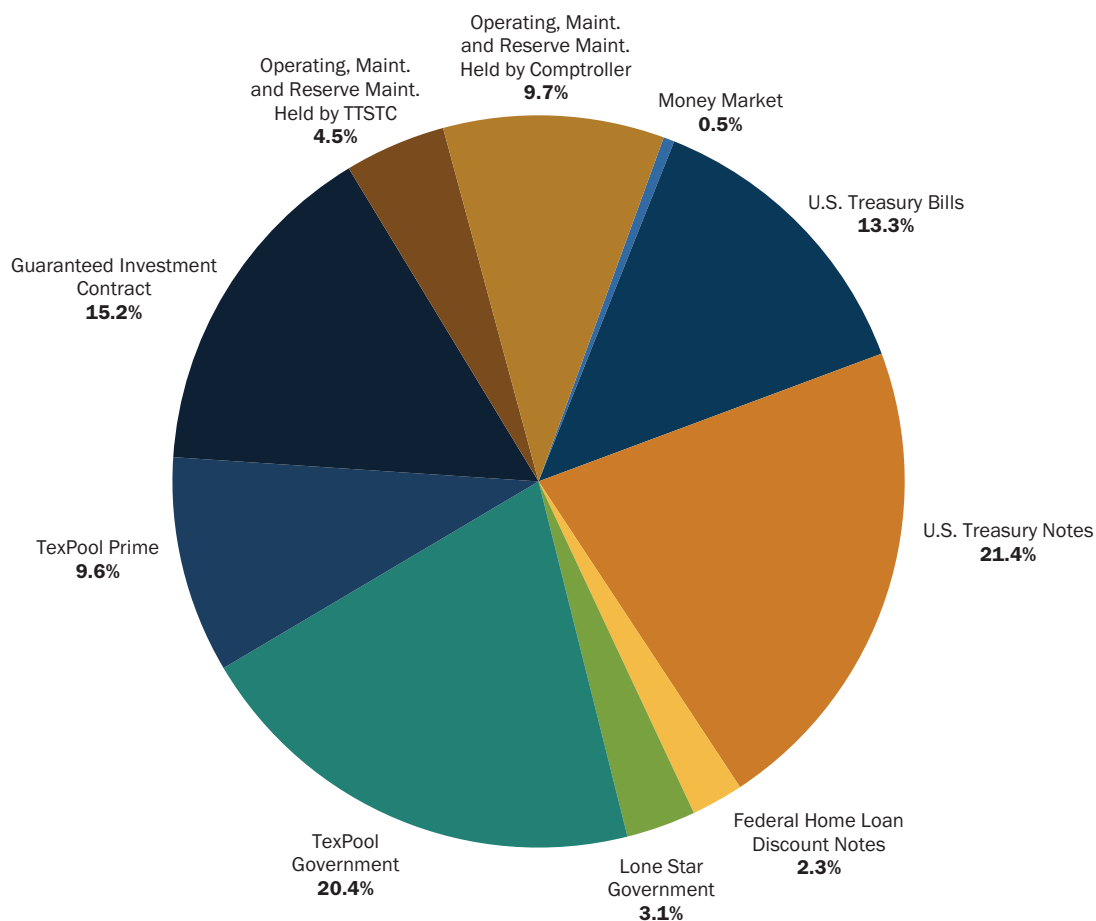
Fair Values as reported on monthly account statements. Totals may not add up due to rounding.



## Schedule 3 – Maturity Distribution and Quarter End Comparison



## Schedule 4 – Investments by Security Type



Money Market	\$3,668,912
U.S. Treasury Bills	100,035,479
U.S. Treasury Notes	161,173,367
Federal Home Loan Discount Notes	17,320,852
Lone Star Government	23,112,952
TexPool Government	153,591,463
TexPool Prime	72,061,390
Guaranteed Investment Contract	114,999,379
Operating, Maint. and Reserve Maint. Held by TTSTC	33,702,155
Operating, Maint. and Reserve Maint. Held by Comptroller	73,475,404

**Total Investments (Fair Value) \$753,141,354**



# I-35E Project

## MANAGEMENT DISCUSSION

In August 2016, the Texas Transportation Commission (commission) adopted an investment strategy for the I-35E Managed Lanes Project (I-35E System) in anticipation of executing a trust agreement with Amegy Bank, a Division of ZB, National Association to serve as trustee for the trust securing the I-35E System toll revenue obligations. On November 3, 2016, the commission executed a loan agreement (TIFIA Loan) with the United States Department of Transportation pursuant to the Transportation Infrastructure Finance and Innovation Act to finance a portion of the I-35E System and secured by the revenues of the system.

Suitable investments have been determined using the following criteria, priorities pursuant to the commission's investment policy and the investment strategy relating to the I-35E System:

- 1) Suitability of the investment to the financial requirements of the entity;
- 2) Preservation and safety of principal;
- 3) Liquidity;
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) Diversification of the investment portfolio; and
- 6) Yield.

Investments in this portfolio for Type I funds must be an eligible investment pursuant to the TIFIA Loan agreement. Type I funds include the Revenue Fund, Debt Service Fund, and General Fund (excluding Capitalized Interest Funds).

## INVESTMENT ACTIVITY

Interest and Investment Income for the quarter: \$247,221, yield 1.56%.

The I-35E System collected \$7.7 million in revenue during the quarter.

## CURRENT STRATEGY

Investment of this portfolio is determined by the cash flow projections for the revenue fund. Our strategy, however, remains guided by the following principles: safety of principal, liquidity and yield, in that order.

## CURRENT MARKET CONDITIONS

- 3-Month Treasury: 1.54%
- 6-Month Treasury: 1.51%
- 1-Year Treasury: 1.41%
- 2-Year Treasury: 1.33%



# Schedule 1 – Investments

Income for Quarter: \$247,221  
Yield for Quarter: 1.56%

Description	Yield	Maturity Date	Book Value		Fair Value <sup>1</sup>
Money Market Investments					
Fidelity Treasury Portfolio	1.470%	03/02/20	\$	36,935,175	\$ 36,935,175
U.S Treasury Bills, Notes, and Agencies					
U.S. Treasury Bills	1.603%	05/21/20		9,964,353	9,971,750
U.S. Treasury Notes	1.610%	07/31/20		7,011,275	7,020,237
U.S. Treasury Notes	1.543%	08/15/20		2,999,409	3,002,577
U.S. Treasury Notes	1.543%	08/15/20		6,998,622	7,006,013
U.S. Treasury Notes	2.530%	10/15/20		2,506,000	2,505,958
			\$	66,414,834	\$ 66,441,709

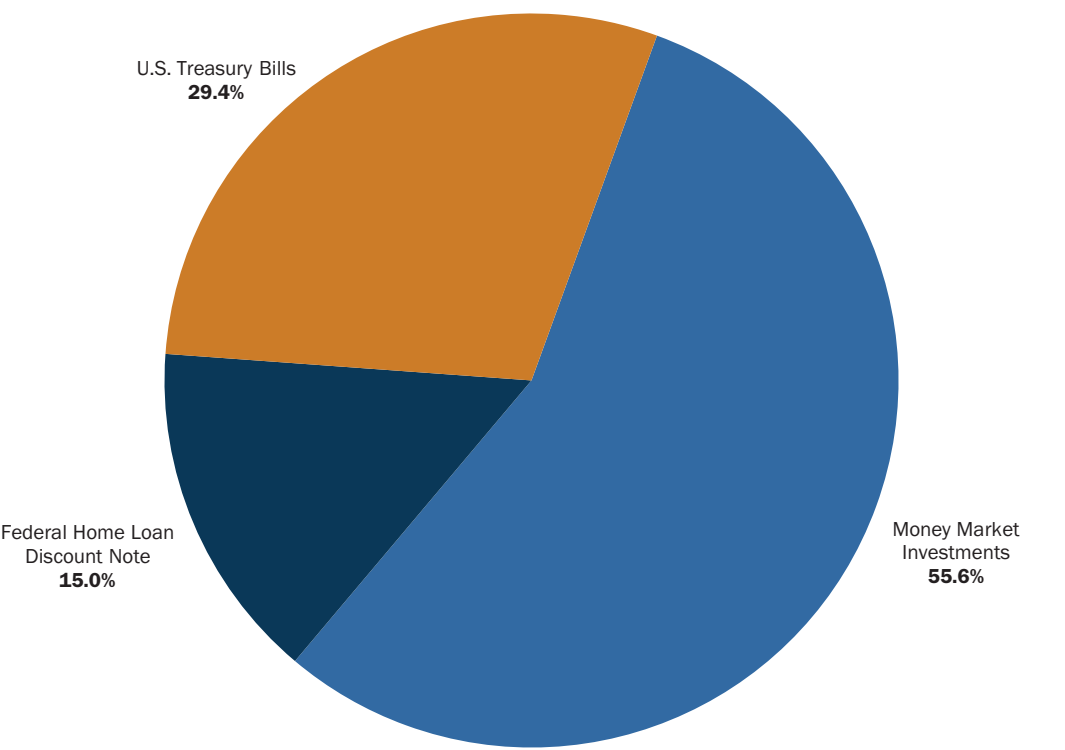
**Notes:**  
<sup>1</sup> For the quarter, \$7,270 was booked for changes in the Fair Value of investments. All investments are intended to be held to maturity.

Fair Values are reported on monthly account statements. Totals may not add up due to rounding.

# Schedule 2 – Maturity Distribution and Quarter End Comparison



# Schedule 3 – Investments by Security Type



■ Money Market Investments	\$36,935,175
■ Federal Home Loan Discount Note	9,971,750
■ U.S. Treasury Bills	19,534,785

<b>Total Investments (Fair Value)</b>	<b>\$66,441,709</b>
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# Prepaid TxTag Account

## MANAGEMENT DISCUSSION

During the investment policy update in August 2015, the Texas Transportation Commission (commission) adopted an investment strategy for the Pre-Paid Tx Tag account held by The Bank of New York Mellon, acting as custodian.

Suitable investments have been determined using the following criteria, priorities pursuant to the commission's investment policy and the investment strategy relating to the system:

- 1) Suitability of the investment to the financial requirements of the entity;
- 2) Preservation and safety of principal;
- 3) Liquidity;
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) Diversification of the investment portfolio; and
- 6) Yield.

Investments in this portfolio are restricted to:

- 1) US Treasury and other government obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest;
- 2) Federal Agency or U.S. government sponsored enterprises (GSE) obligations, participations or other instruments; and
- 3) Securities and Exchange Commission registered money market funds.

Further restrictions on the portfolio include:

- 1) Only 20% of the Custodial Account can be investment with a final maturity not to exceed two years from the date of purchase.
- 2) Maximum weighted average maturity for the investments may not exceed 240 days at any time.

The investment instruments described in Schedule 1 are in compliance with the Public Funds Investment Act, investment policy and strategy of the commission.

## INVESTMENT ACTIVITY

Interest and Investment Income for the quarter: \$181,007, yield 1.72%.

Schedule 1 outlines all investments outstanding for the quarter ending February 29, 2020.

## CURRENT STRATEGY

Invest the portfolio for diversification into 6-9 month maturity sector. Our strategy, however, remains guided by the following principles: safety of principal, liquidity and yield, in that order.

## CURRENT MARKET CONDITIONS

- 3-Month Treasury: 1.54%
- 6-Month Treasury: 1.51%
- 1-Year Treasury: 1.41%
- 2-Year Treasury: 1.33%

# Schedule 1 – Investments

Income for Quarter: \$181,007

Yield for Quarter: 1.72%

Description	Yield	Maturity Date	Book Value		Fair Value <sup>1</sup>
Money Market Investments					
BlackRock FedFund MM	1.570%	03/02/20	\$	14,589,868	\$ 14,589,868
U.S Government Securities					
U.S. Treasury Bills	1.989%	03/26/20		3,195,528	3,197,056
Federal Home Loan Discount Notes	1.818%	05/11/20		4,982,300	4,986,000
U.S. Treasury Notes	1.994%	06/15/20		4,693,298	4,701,645
U.S. Treasury Notes	1.606%	08/15/20		5,097,500	5,104,386
Federal Home Loan Agency Notes	1.625%	10/21/20		5,012,850	5,012,850
U.S. Treasury Notes	1.512%	12/15/20		5,014,205	5,029,100
			\$	42,585,548	\$ 42,620,905

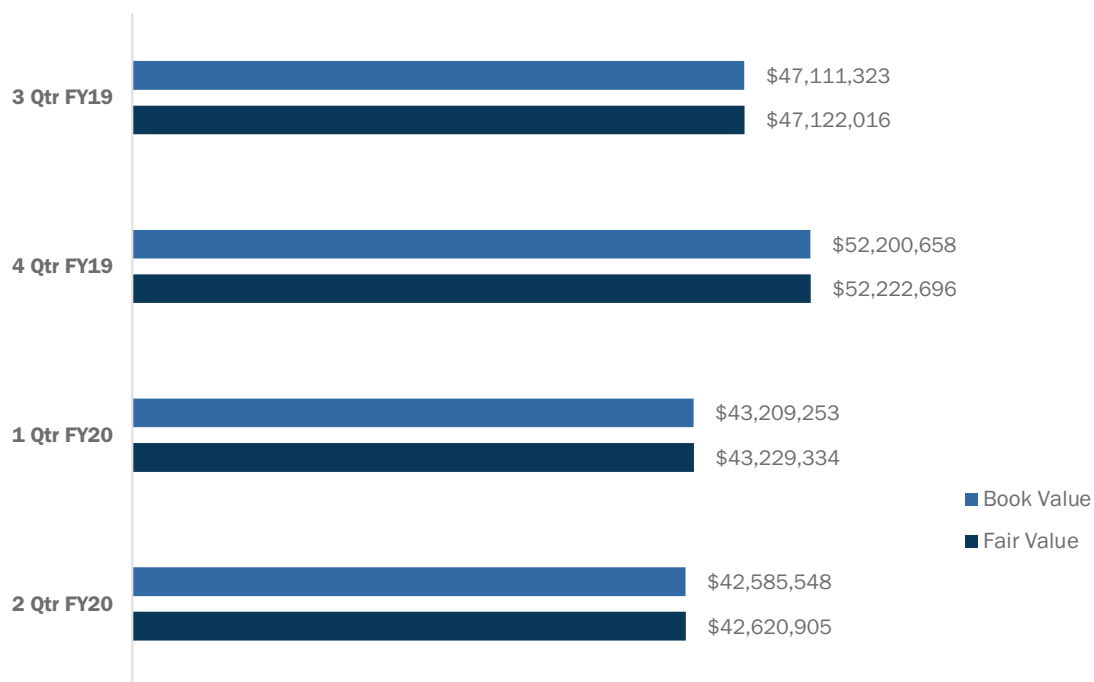
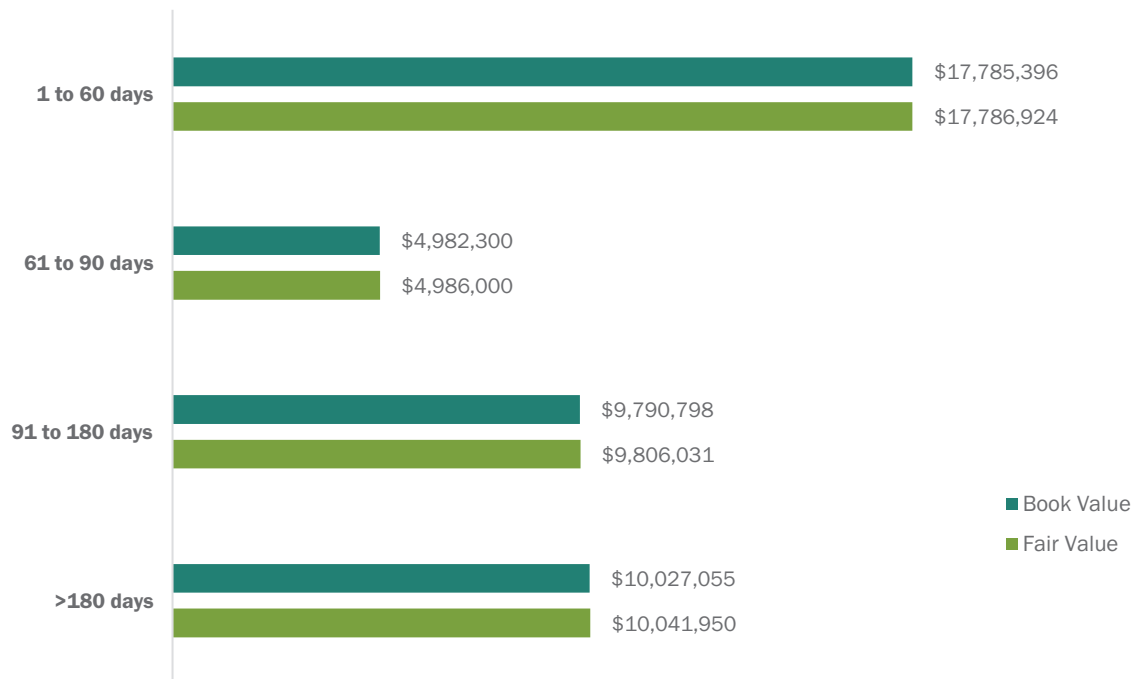
**Notes:**

<sup>1</sup> For the quarter, \$0 was booked for changes in the Fair Value of investments. All investments are intended to be held to maturity.

"Weighted average yield to maturity" is the portfolio performance measurement standard.

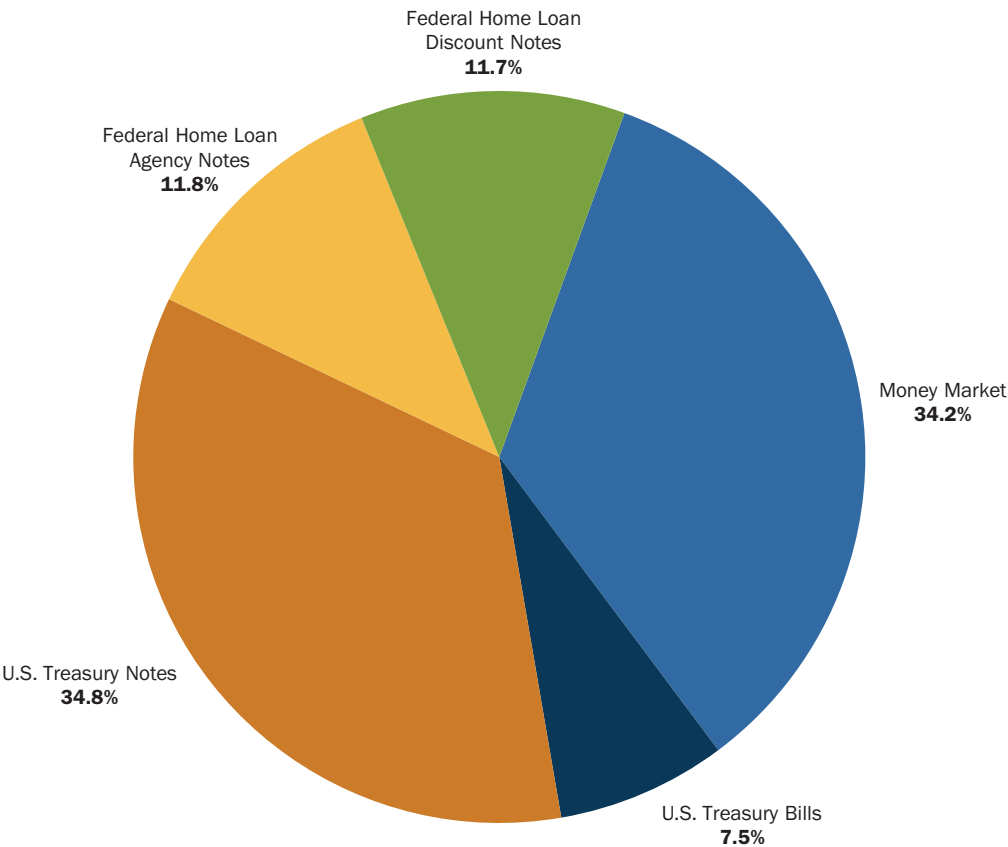
Fair Values are reported on monthly account statements. Totals may not add up due to rounding.

## Schedule 2 – Maturity Distribution and Quarter End Comparison





# Schedule 3 – Investments by Security Type



■ Money Market	\$14,589,868
■ U.S. Treasury Bills	3,197,056
■ U.S. Treasury Notes	14,835,131
■ Federal Home Loan Agency Notes	5,012,850
■ Federal Home Loan Discount Notes	4,986,000
Total Investments (Fair Value)	
\$42,620,905	



# SH 249 System Account

## MANAGEMENT DISCUSSION

In December 2018, the Texas Transportation Commission (commission) adopted an investment strategy for the SH 249 System under a Master Trust Agreement with U.S. Bank National Association to serve as trustee securing the SH 249 System toll revenue obligations.

Suitable investments have been determined using the following criteria, priorities pursuant to the commission's investment policy and the investment strategy relating to the SH 249 System:

- 1) Suitability of the investment to the financial requirements of the entity;
- 2) Preservation and safety of principal;
- 3) Liquidity;
- 4) Marketability of the investment if the need arises to liquidate the investment before maturity;
- 5) Diversification of the investment portfolio; and
- 6) Yield.

## INVESTMENT ACTIVITY

Interest and Investment Income for the quarter: \$641,566, yield 1.77%.

Bond proceeds for the SH 249 System were received on February 26, 2019.

During the quarter, \$21 million was utilized for construction on the project.

## CURRENT STRATEGY

Investment of this portfolio is determined by the cash flow projections for the new loan proceeds.

Our strategy is guided by the following principles: safety of principal, liquidity and yield, in that order.

## CURRENT MARKET CONDITIONS

- 3-Month Treasury: 1.54%
- 6-Month Treasury: 1.51%
- 1-Year Treasury: 1.41%
- 2-Year Treasury: 1.33%

# Schedule 1 – Investments

Income for Quarter: \$641,566

Yield for Quarter: 1.77%

Description	Yield	Maturity Date	Book Value	Fair Value <sup>1</sup>
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## Money Market Investments

Fidelity Treasury Portfolio	1.470%	03/02/20	\$ 15,218,426	\$ 15,218,426
Goldman Treasury Portfolio	1.520%	03/02/20	0	0
Morgan Stanley Treasury Portfolio	1.480%	03/02/20	13,231	13,231

## U.S Government Securities

U.S. Treasury Notes	2.480%	03/31/20	4,998,750	4,998,750
U.S. Treasury Notes	2.332%	03/31/20	9,997,500	9,997,500
U.S. Treasury Notes	2.332%	04/15/20	14,984,550	15,000,900
U.S. Treasury Notes	2.332%	04/15/20	9,989,700	10,000,600
U.S. Treasury Notes	2.482%	04/30/20	7,999,040	7,999,040
Federal Home Loan Discount Notes	1.604%	05/20/20	8,071,387	8,074,404
U.S. Treasury Notes	2.588%	07/31/20	3,610,404	3,610,404
U.S. Treasury Notes	2.588%	07/31/20	300,867	300,867
U.S. Treasury Notes	1.982%	07/31/20	5,007,400	5,007,400
U.S. Treasury Notes	2.577%	01/31/21	3,632,760	3,632,760
U.S. Treasury Notes	2.577%	01/31/21	302,730	302,730
U.S. Treasury Notes	1.524%	03/31/21	10,019,900	10,019,900

## TexPool <sup>2</sup>

Local Government Investment Pool	1.591%	03/02/20	35,977,045	35,931,632
			<b>\$ 130,123,690</b>	<b>\$ 130,108,544</b>

## Notes:

<sup>1</sup> For the quarter, \$110,297 was booked for changes in the Fair Value of investments. All investments are intended to be held to maturity.

<sup>2</sup> This local government investment pool seek to maintain a one dollar per share as required by the Texas Public Funds Investment Act.

Fair Values are reported on monthly account statements. Totals may not add up due to rounding.



# Schedule 2 – Allocation by Account

11/30/2019

Description	Construction Account	2019A Capitalized Interest Account	2019A First Tier Reserve Account	Taxable 2019B Capitalized Interest Account	Taxable 2019B First Tier Reserve Account	2019A Costs of Issuance Account	Taxable 2019B Cost of Issuance Account	Rate Stabilization Fund	Portfolio Total
Fidelity Government MM	19	188	11	-	-	-	-	-	\$ 218
Goldman Sachs Government MM	-	-	-	-	-	-	-	-	-
Morgan Stanley Government MM	-	-	-	-	2,299	17	-	-	2,316
TexPool Government	30,966,189	15,086,701	4,116,822	311,852	1,297,091	13,876	41	5,184,170	56,976,741
Federal Home Loan Discount Notes	14,953,350	-	-	-	-	-	-	-	14,953,350
U.S. Treasury Bills	-	-	-	-	-	-	-	-	-
U.S. Treasury Notes	46,059,591	10,823,976	19,968,600	901,998	-	-	-	4,991,000	82,745,165
<b>Totals</b>	<b>91,979,149</b>	<b>25,910,865</b>	<b>24,085,433</b>	<b>1,213,850</b>	<b>1,299,390</b>	<b>13,893</b>	<b>41</b>	<b>10,175,170</b>	<b>\$ 154,677,790</b>

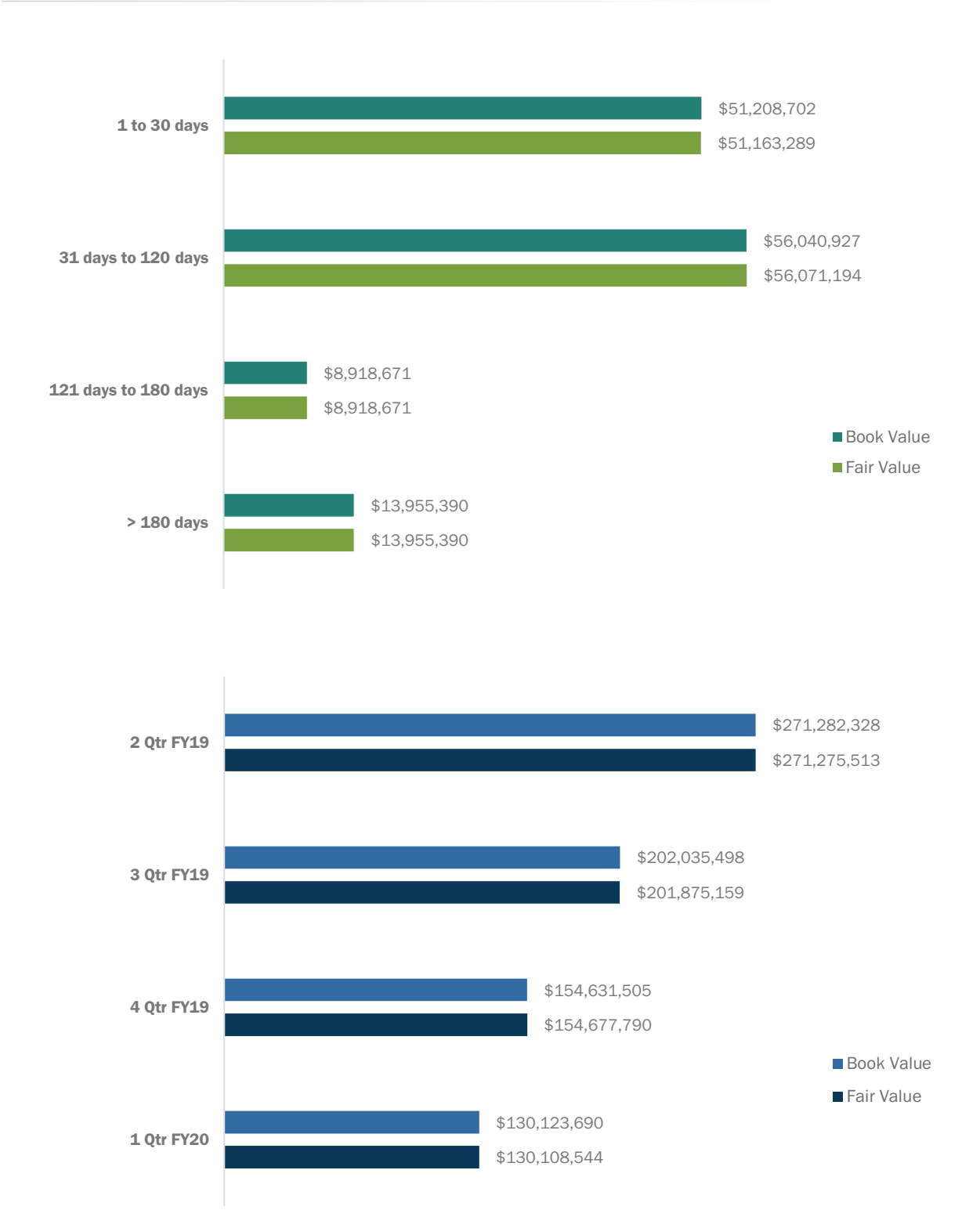
2/29/2020

Description	Construction Account	2019A Capitalized Interest Account	2019A First Tier Reserve Account	Taxable 2019B Capitalized Interest Account <sup>(A)</sup>	Taxable 2019B First Tier Reserve Account	2019A Costs of Issuance Account	Taxable 2019B Cost of Issuance Account	Rate Stabilization Fund	Portfolio Total
Fidelity Government MM	15,121,202	97,213	11	-	-	-	-	-	\$ 15,218,426
Goldman Sachs Government MM	-	-	-	-	-	-	-	-	-
Morgan Stanley Government MM	-	-	-	10,924	2,308	-	-	-	13,231
TexPool Government	9,838,049	15,148,782	4,123,736	313,135	1,302,428	-	-	5,205,502	35,931,632
Federal Home Loan Discount Notes	8,074,404	-	-	-	-	-	-	-	8,074,404
U.S. Treasury Bills	-	-	-	-	-	-	-	-	-
U.S. Treasury Notes	38,004,840	7,243,164	20,020,500	603,597	-	-	-	4,998,750	70,870,851
<b>Totals</b>	<b>71,038,494</b>	<b>22,489,158</b>	<b>24,144,247</b>	<b>927,656</b>	<b>1,304,736</b>	<b>0</b>	<b>0</b>	<b>10,204,252</b>	<b>\$ 130,108,544</b>

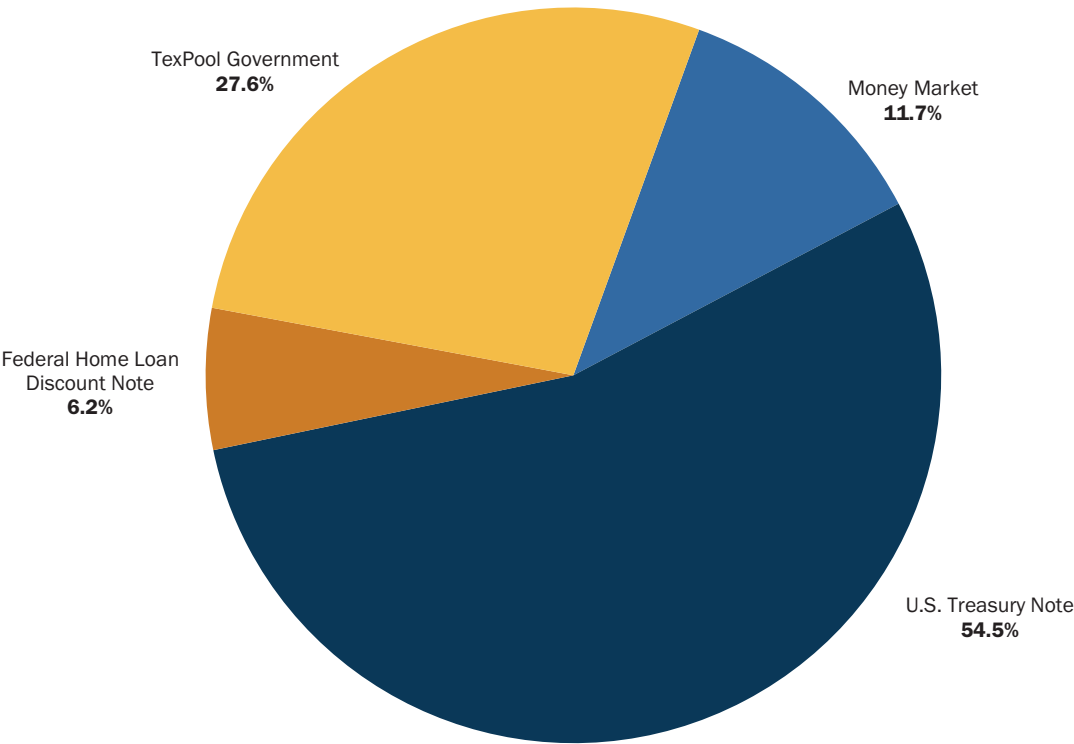
Note <sup>(A)</sup> - In February, \$3.9 million in Capitalized Interest was paid.

Fair Values as reported on monthly account statements. Totals may not add up due to rounding.

# Schedule 3 – Maturity Distribution and Quarter End Comparison



# Schedule 4 – Investments by Security Type



■ Money Market	\$15,231,657
■ U.S. Treasury Notes	70,870,851
■ Federal Home Loan Discount Notes	8,074,404
■ TexPool Government	35,931,632
Total Investments (Fair Value) <b>\$130,108,544</b>	

